

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for
Recovery of incremental storm restoration costs
Related to Hurricane Matthew by Florida Power
& Light Company.

DOCKET NO.: 160251-EI
FILED: June 28, 2018

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
POST-HEARING BRIEF**

The Florida Industrial Power Users Group (“FIPUG”), by and through its undersigned counsel, files this Post-Hearing Brief in the above-styled matter.

**BASIC POSITION AND ARGUMENTS RELATED TO
MOBILIZATION, DEMOBILIZATION AND STANDBY COSTS**

On June 20, 2018 FIPUG filed a Notice of Change of Position in which it indicated that it changed its position with respect to the Settlement Agreement entered into between Florida Power & Light Company (“FPL”) and the Office of Public Counsel (“OPC”). Rather than oppose the Settlement Agreement, FIPUG now takes no position on the pending motion to approve the Settlement Agreement.

Nevertheless, because parties were provided the opportunity to file post hearing briefs in this matter at FIPUG’s request, FIPUG will specifically address the issue of FPL’s efforts to recover costs associated with mobilization, demobilization and standby charges. FIPUG suggests, consistent with the positions previously taken by the Office of Public Counsel and FIPUG, that a reduction of \$13.704 million or \$10 million for mobilization/demobilization and standby time be considered. Put simply, the record keeping associated with mobilization/demobilization and standby time widely misses the mark for establishing reliable evidence upon which the Commission can rely upon in order to raise customers’ rates. FPL did not carry its burden of

proof that it should recover all its mobilization, demobilization and standby costs, and a reduction is in order.

Record evidence details concerns with FPL's mobilization, demobilization and standby costs, and the corresponding sums that FPL seeks to recover from ratepayers. The Office of Public Counsel witness Schultz testified about the "lack of documentation" regarding mobilization, demobilization and standby time for contractors. Further in FPL's response to Citizen's Interrogatory number 25, FPL admitted that it cannot identify how much time is related to mobilization and demobilization because "these costs are not typically identified with specificity by contractors and/or tracked by FPL." These costs are not insignificant, as mobilization, demobilization and standby time costs accounted for approximately one third (1/3) of the total costs FPL seeks as a result of Hurricane Matthew or \$40 million dollars. Tr. 87, 88.

For contractors working under the auspices of mutual assistance arrangements, FPL did not even ask contractors for documentation related to mobilization and demobilization costs, something for which FPL now seeks to recover \$5 million dollars from ratepayers. Tr. 89. FPL admits that it does not maintain or require records of costs on a daily basis. Tr. 94. Remarkably, FPL, which pays contractors for standby time, and then charges ratepayers for these standby payments, does not track standby time, which is the time contractor crews are waiting to begin work. Tr. 109.

As the evidence highlighted above points out. as did OPC with the direct testimony of witness Schultz and the position set forth in its prehearing statement, improvements can be made with respect to the way in which FPL accounts for the tens of millions of dollars it pays contractors for mobilization, demobilization and standby costs. FIPUG would respectfully ask

the Commission to address this mobilization, demobilization and standby issue¹, regardless of the action it takes on the proposed Settlement Agreement. At a minimum, the Commission should direct that FPL engage in a more robust process to track mobilization, demobilization and standby costs.

STATEMENT OF ISSUES AND POSITIONS:

ISSUE A: Should the settlement be approved?

FIPUG: No position.

ISSUE 1: What is the appropriate baseline from which incremental costs are derived?

FIPUG: While the 2012 Settlement was a black box settlement (i.e., settled to a revenue requirement without specifically addressing all revenue inputs), the payroll levels included in the 2012 rate case MFRs were part of the sworn testimonies of FPL witnesses Kim Ousdahl and Kathleen Slattery, and are the best available information regarding the amount of payroll included in base rates by FPL at the time Hurricane Matthew occurred. Additionally, when asked for the amount of payroll FPL included in its 2016 base rates, FPL identified in its response to Citizens' Interrogatory No. 82, that the payroll included in its base rates in effect during 2016 (the period during which the storm occurred) included \$610,638,151 of regular payroll charged to O&M expense. (Schultz).

ISSUE 2: What is the appropriate amount of FPL regular payroll expense to be included in storm recovery?

FIPUG: The amount of regular payroll included in FPL's base rates in effect during 2016 (the period during which the storm occurred) was \$610,638,151 of regular payroll charged to O&M expense. The actual payroll expense incurred in 2016 was \$493,011,189. Since the \$610,638,151 of regular payroll included in base rates far exceeds the 2016 actual O&M payroll expense of \$493,011,189, it would be unrealistic to assume that any regular payroll is incremental and eligible for storm restoration costs. Thus, any allowance of regular payroll as part of storm restoration costs would result in double recovery for FPL – first as part of base rates and then recovered a second time as part of the storm restoration costs. Since no regular payroll costs are actually non-incremental, the previously identified capitalized regular payroll costs must be reclassified as capitalized overtime costs.

¹ OPC and FIPUG sought to have the issue of mobilization, demobilization and standby costs considered as a separate issue at hearing. The prehearing officer ruled that this issue was subsumed within the scope of another issue, but nevertheless could be raised as warranted by any party.

With this reclassification, OPC recommends a reduction of \$1.027 million to regular payroll expense. (Schultz)

ISSUE 3: What is the appropriate amount of FPL overtime payroll expense to be included in storm recovery?

FIPUG: OPC recommends the distribution overtime payroll be reduced by \$3.006 million (\$3.005 million jurisdictional) and reduced in total by \$3.099 million (\$3.089 million jurisdictional). This, again, is FPL's calculated payroll adjustment for capitalization. Additionally, OPC recommends that the Company's overtime payroll be adjusted to reflect an appropriate capitalization rate. Based on OPC's recommend capitalization rate, the estimated cost for FPL's overtime plus overheads is \$4,699,801 and the estimated vehicle cost is \$995,127 which results in a total overtime cost for capitalization in the amount of \$5,694,928. Since OPC has already recommended the reclassification of the \$3.099 million of capitalization which FPL classified as regular payroll, OPC recommends an additional adjustment of \$2,595,928 to account for the appropriate capitalization rate. (Schultz)

ISSUE 4: What is the appropriate amount of contractor costs to be included in storm recovery?

FIPUG: The contractor costs have been undercapitalized due to understated crew sizes and related labor costs. Therefore, OPC recommends the capitalized amount for distribution costs for contractor labor be increased from \$6.072 million (\$6.071 million jurisdictional) to \$25.456 million (\$25.451 million jurisdictional). This adjustment reduces FPL's request for distribution function recovery for contractors from \$153.895 million to \$134.511 million, which is a reduction to total restoration costs of \$21.756 million (\$21.710 million jurisdictional). (Schultz)

ISSUE 5: What is the appropriate amount of logistic costs that should be included in storm recovery?

FIPUG: The logistic costs of \$17.975 million for one vendor included single line invoices with no details regarding what was included, where the lodging was located, or for whom the lodging was billed. Due to the absence of supporting detail that this vendor's lodging costs are reasonable and justified, OPC recommends disallowance of the entire \$17.975 million (\$17.971 million jurisdictional). (Schultz)

ISSUE 6: Are the standby and mobilization/demobilization costs that are included in FPL's storm recovery appropriate? If not, what adjustments, if any, should be made?

FIPUG: No, because FPL has not separately tracked the amount of hours and costs that are associated with mobilization/demobilization and standby time, the Commission and the parties have no way to verify these costs. This information would provide

critical insight into how FPL is planning and controlling costs before, during, and after the storm restoration. The Commission should make an adjustment to disallow 10% of the OPC's recommended retail costs of \$137.039 million, or reduction of \$13.704 million. (Schultz)

ISSUE 7: What is the appropriate amount to include in storm recovery to replenish the level of FPL's storm reserve?

FIPUG: OPC recommends a reduction of \$24.026 million to FPL's requested \$117.131 million to exclude the non-Hurricane Matthew replenishment of the storm reserve. FPL failed to provide any supporting detail that these pre-Hurricane Matthew costs charged to the storm reserve were reasonable and justified. The storm reserve should be replenished to the pre-Hurricane Matthew level of \$93.105 million. (Schultz)

ISSUE 8: What is the appropriate amount of storm-related costs and storm reserve replenishment FPL is entitled to recover for Hurricane Matthew?

FIPUG: OPC recommends a total reduction of \$84.123 million jurisdictional to FPL's Hurricane Matthew cost recovery request of \$291.647 million jurisdictional including the storm reserve replenishment to the pre-Hurricane Matthew level of \$93.105 million. (Schultz)

ISSUE 9: What is the total amount of storm-related revenues that FPL collected for Hurricane Matthew through their approved interim storm restoration recovery charge?

FIPUG: No position at this time.

ISSUE 10: If applicable, how should any under-recovery or over-recovery be handled?

FIPUG: The over recovery should be handled as a one-time adjustment to customer bills or in the alternative a one-time adjustment to the fuel clause for the remainder of 2018.

ISSUE 11: Should this docket be closed?

FIPUG: Yes.

CONCLUSION

For the reasons set forth above, FIPUG seeks the entry of an order which disallows all mobilization, demobilization and standby costs which lacked sufficient documentation and for

which FPL did not carry its burden of proof, and which directs that FPL modify its mobilization, demobilization and standby costs monitoring and record keeping so that sufficient records are kept and available to justify all such costs sought from ratepayers.

Dated this 28th day of June, 2018

Respectfully submitted,

Jon C. Moyle _____

Jon C. Moyle

Karen A. Putnal

Moyle Law Firm, P.A.

118 North Gadsden Street

Tallahassee, FL 32399-1400

Telephone: (850) 681-3828

Facsimile: (850) 681-8778

jmoyle@moylelaw.com

kputnal@moylelaw.com

Attorney for the Florida Industrial Power Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished

by electronic mail on this 28th day of June, 2018, to the following:

Suzanne S. Brownless
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
sbrownle@psc.state.fl.us

J.R. Kelly, Esq.
Charles J. Rehwinkel
Erik Saylor
Patty Christensen
Tarik Noriega
Office of Public Counsel
111 West Madison Street, room 812
Tallahassee, FL 32301
kelly.jr@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
saylor.erik@leg.state.fl.us
christensen.patty@leg.state.fl.us
noriega.tarik@leg.state.fl.us

John Butler
Ken Rubin
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
John.butler@fpl.com
Ken.rubin@fpl.com
Wade.litchfield@fpl.com

Robert Scheffel Wright/John T. La Via
Gardner Law Firm
1300 Thomaswood Drive
Tallahassee FL 32308
jlavia@gbwlegal.com
schef@gbwlegal.com

Ken Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
ken.hoffman@fpl.com

/s/ Jon C. Moyle

Jon C. Moyle, Jr.